

# SALES TAX

Nebraska sales tax is imposed upon the gross receipts from all sales, leases, or rentals of tangible personal property made at retail in this state and upon the gross receipts of selected services; gross receipts of every person engaged as a public utility or as a community antenna television service operator; the gross receipts from the sale of admissions in the state; the gross receipts of persons selling, leasing, or otherwise providing intellectual or entertainment property; and the gross receipts from the sale of warranties, guarantees, service agreements, or maintenance agreements when the items covered are subject to tax.

Property is defined as all tangible and intangible property that is subject to tax in the above paragraph.

All gross receipts from the sale of the items listed above are subject to tax unless an exemption is specified by law. Sales tax exemptions are generally based upon the nature of the seller, the nature of the property sold, the nature of the purchaser, or the purchaser's intended use of the product.

The sales tax was established by the Nebraska Revenue Act of 1967. From 1970 to 1983, the sales tax rate was determined each year by the State Board of Equalization and Assessment. Beginning with 1984, the legislature sets the tax rate. Currently, the state sales tax rate is five and one half percent. A chronology of state tax rates is displayed in Table 2 on page 16.

## **Business and Individual Consumer's Use Tax**

The use tax is a complement to the sales tax and is paid directly to the state by the consumer. The consumer may be a business or an individual. The tax is imposed on the storage, use, or consumption in this state of tangible personal property and certain taxable services when the appropriate sales tax has not been paid. Examples of purchases that may be subject to consumer's use tax include items purchased from an out-of-state vendor, and inventory items purchased for resale that are withdrawn from inventory for personal or business use.

### **Retailer's Use Tax**

The retailer's use tax is a component of the state sales and use tax. Out-of-state retailers who do not

have sufficient business contact with Nebraska may voluntarily become licensed to collect the appropriate sales tax for their Nebraska customers. The tax applies to items delivered to a customer's home or business in Nebraska for storage, use, or consumption.

## **Sales and Use Tax on Motor Vehicles**

Sales of motor vehicles, trailers, and semitrailers are subject to sales tax in Nebraska. The tax is collected on the net sales price of the motor vehicle or trailer. Sales tax on motor vehicles is paid to the county treasurer or other designated county official in the county in which the vehicle is registered. The counties then remit the sales tax collected to the state.

## **Local Option Sales and Use Tax**

Any incorporated municipality may impose a local option (city) sales and use tax if approved by a majority of the votes cast in a regular election. The city tax is collected and administered in the same manner as the state sales and use tax. The tax applies to all transactions subject to the state sales and use tax that take place within the boundaries of the city imposing the city tax or the city where the item is delivered. Where a state use tax liability exists, the consumer is obligated to remit the city use tax in the same manner as the state use tax. As of December 31, 2003, 130 cities were imposing a local option sales and use tax.

Cities may impose a local option sales tax at a rate of .5 percent, 1 percent, or 1.5 percent.

## **Food Sales Tax Exemption**

The Legislature exempted certain food and food products from sales tax, effective October 1, 1983. Exempted from sales tax are food or food products which are currently eligible for purchase with food coupons issued by the United States Department of Agriculture, regardless of whether the retailer from which food is purchased is participating in the food stamp program. Food does not include meals prepared by the retailer or food sold through vending machines. Prior to the exemption, a food sales tax credit was allowed on the individual income tax return. A chronology of the food sales tax credit is displayed in Table 2 on page 16.

# Sales Tax Statistical Tables

## **Table 1 - Net Taxable Sales and State Sales Tax**

2003 net taxable sales and state sales tax are reported for selected municipalities within each county in Table 1. Motor vehicle net taxable sales are not included. The totals for smaller municipalities have been combined as "other" to prevent disclosure of information about individual establishments.

The amounts reported for each municipality reflect sales by establishments or transactions in or near the municipality and in outlying rural areas. All transactions are allocated to a municipality. These statistics are reported by the location of the business or the transaction, irrespective of the residence of the purchaser.

## **Table 2 - Motor Vehicle Net Taxable Sales and State Sales Tax**

Motor vehicle net taxable sales and state sales tax statistics for 2003 are reported in Table 2. Since the sales tax on motor vehicle purchases is collected by the county treasurer and cannot be allocated to the municipality where the purchase was made, these statistics are reported by county. Sales are reported by the county where the vehicle is registered, which is not necessarily the county where the vehicle is purchased. Net taxable sales statistics are calculated from the sales tax amounts reported by the county treasurers.

## **Table 3 - Sales Tax Statistics by Nebraska Business Classification**

Table 3 reports 2003 net taxable sales and sales tax categorized by Nebraska Business Classification with a comparison of 2003 and 2002 net taxable sales. Please note that the table parallels the NAICS rather than SIC classification system reported in prior years. (For more detailed state-level NAICS statistics, see the Department of Revenue Web site).

## **Table 4 - City Sales and Use Tax Returned to Municipalities**

2003 and 2002 sales and use tax collected by the Nebraska Department of Revenue under the Local Option Revenue Act and returned to municipalities is reported in Table 4. The sales tax figures are amounts actually returned to municipalities after deducting refunds and the statutory administration fee. A chronology of city sales tax rates is also shown.

## **Table 5 - General Fund Sales and Use Tax Cash Receipts**

2003 and 2002 monthly general fund sales and use tax cash receipts are reported in Table 5 with a graph displaying net general fund sales and use tax cash receipts for 1994 through 2003.